

## Message Text

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ACTION ARA-10

INFO OCT-01 NEA-06 ISO-00 SP-02 AID-05 EB-07 NSC-05 RSC-01

CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01 L-02 H-01

PA-01 PRS-01 USIA-06 CIAE-00 COME-00 FRB-01 INR-05

NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01 FEA-01 /084 W

----- 074804

R 161130Z DEC 74

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 6878

INFO AMEMBASSY KUWAIT

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

LIMITED OFFICIAL USE BRASILIA 9368

E.O.11652: N/A

TAGS: EFIN, BR

SUBJECT: CAPITAL FLOWS TO BRAZIL

REF: A. BRASILIA 9290 B. SAO PAULO 2725

1. REFTEL A NOTED THAT A \$1 BILLION CREDIT REPORTEDLY BEING NEGOTIATED WITH KUWAIT WOULD BE APPLIED TO PETROLEUM PURCHASES. ON DECEMBER 12, MINISTER MINES AND ENERGY UEKI ACKNOWLEDGED TO PRESS THAT SUCH LOAN WAS BEING NEGOTIATED, BUT THAT THE CREDIT WOULD NOT BE TOED TO OIL PURCHASES: RATHER THAT GOB WOULD BE ABLE TO APPLY THESE FUNDS ACCORDING TO ITS OWN CRITERIA. ON SAME DAY, PLANNING MINISTER VELLOSO DENIED TO PRESS THAT GOB HAD OBTAINED A \$1 BILLION CREDIT FOR KUWAIT AND ON THE FOLLOWING DAY UEKI ISSUED STATEMENT THAT HE HAD BEEN MISINTERPRETED WITH RESPECT O \$1 BILLION CREDIT. UEKI SAID HIS COMMENTS WERE GENERAL IN NATURE, REFERRING TO POSSIBILITIES OF FINANCIAL ARRANGEMENTS BETWEEN OIL EXPORTERS AND BRAZIOIAN PRIVATE AND PUBLIC ENTITIES. (EMBASSY COMMENT: WE BELIEVE THERE IS LITTLE DOUBT THAT GOB IS CURRENTLY ENGAGED IN NEGOTIATION OF MAJOR LOAN FROM KUWAIT, AND LIMITED OFFICIAL USE

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UEKI WAS PROBABLY INDESCREET IN ACKNOWLEDGING THE FACT BEFORE

BRAZIL HAD NAILED DOWN A FIRM COMMITMENT. IT ALSO SEEMS LIKELY THAT THE OVERALL CREDIT MAY BE DIVIDED INTO A NUMBER OF SEPARATE PACKAGES, CHanneled THROUGH VARIOUS PRIVATE BANKS AND GOVERNMENT-CONTROLLED FINANCIAL INSTITUTIONS OR COMPANIES).

2. ALSO ON DECEMBER 12, RIO PRESS REPORTED A STATEMENT BY THE UNION BANK OF SWITZERLAND REPRESENTATIVE IN BRAZIL, NORBERT MULLER, WHO STATED THAT THE REDUCTION OF MINIMUM TERMS ON FOREIGN LOANS FROM 10 TO 5 YEARS HAS SIGNIFICANTLY IMPORVED BRAZIL'S FOREIGN CREDIT STANDING. REPORTEDLY, HE ALSO SAID THAT FURTHER LOWERING OF MINIMUM TERMS WOULD BRING SUBSTANTIAL INCREASE IN FINANCIAL INFLOWS WITHOUT ADVERSELY AFFECTING BRAZIL'S FOREIGN DEBT REPAYMENT CAPACITY. MULLER WAS QUOTED AS SAYING THAT THE RECENT OFF-SHORE OIL STRIKE BY BRAZIL HAD BEEN WELCOMED BY EUROPEAN FINANCIAL MARKETS BUT THAT THE COUNTRY'S CREDIT STANDING HAD ALREADY BEEN IMPROVING IN RESPONSE TO GOVERNMENT MEASURES TO STRENGTHEN THE BALANCE OF PAYMENTS.  
JOHNSON

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PRESS COMMENTS, PETROLEUM, CREDIT, CAPITAL FLOWS, BALANCE OF PAYMENTS, LOANS, NEGOTIATIONS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 16 DEC 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** elyme  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974BRASIL09368  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D740364-0696  
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**Line Count:** 79  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION ARA  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 74 BRASILIA 9290, 74 SAO PAULO 2725  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** elyme  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 21 AUG 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <21 AUG 2002 by WorrelSW>; APPROVED <19 MAR 2003 by elyme>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** CAPITAL FLOWS TO BRAZIL  
**TAGS:** EFIN, BR, KU  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005